



General Assembly

February Session, 2006

Raised Bill No. 433

LCO No. 2244

02244_____BA_

Referred to Committee on Banks

Introduced by:
(BA)

***AN ACT INCREASING THE MAXIMUM AMOUNT OF LOANS MADE BY
SMALL LOAN LENDERS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-555 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2006*):

3 No person shall engage in the business of making loans of money or
4 credit in the amount or to the value of [fifteen] one hundred thousand
5 dollars or less for loans made under section 36a-563 or section 36a-565,
6 and charge, contract for or receive a greater rate of interest, charge or
7 consideration than twelve per cent per annum therefor, unless licensed
8 to do so by the commissioner pursuant to sections 36a-555 to 36a-573,
9 inclusive. The provisions of this section shall not apply to (1) a bank,
10 (2) an out-of-state bank, (3) a Connecticut credit union, (4) a federal
11 credit union, (5) an out-of-state credit union, (6) a savings and loan
12 association wholly owned subsidiary service corporation, (7) a person
13 to the extent that such person makes loans for agricultural,
14 commercial, industrial or governmental use or extends credit through
15 an open-end credit plan, as defined in subdivision (8) of section 36a-
16 676, for the retail purchase of consumer goods or services, (8) a

17 mortgage lender licensed pursuant to sections 36a-485 to 36a-498a,
18 inclusive, when making first mortgage loans, as defined in section 36a-
19 485, (9) a mortgage lender licensed pursuant to sections 36a-510 to 36a-
20 524, inclusive, when making secondary mortgage loans, as defined in
21 section 36a-510, or (10) a licensed pawnbroker.

22 Sec. 2. Section 36a-563 of the general statutes is repealed and the
23 following is substituted in lieu thereof (*Effective October 1, 2006*):

24 (a) Every licensee under sections 36a-555 to 36a-573, inclusive, may
25 loan any sum of money not exceeding [fifteen] one hundred thousand
26 dollars, excluding charges, and may charge, contract for and receive
27 thereon charges at a rate not to exceed the following: (1) On any loan
28 which does not exceed one thousand eight hundred dollars, excluding
29 charges, or on any unsecured loan or on any loan secured only by
30 credit life insurance, seventeen dollars per one hundred dollars on that
31 part of the cash advance, not exceeding six hundred dollars, and
32 eleven dollars per one hundred dollars on any remainder when the
33 loan is made payable over a period of one year, and proportionately at
34 those rates over a longer or shorter term of loan; (2) on a loan which
35 exceeds one thousand eight hundred dollars, excluding charges, and
36 which is secured by property other than credit life insurance, eleven
37 dollars per one hundred dollars on the entire cash advance when the
38 loan is made payable over a period of one year, and proportionately at
39 that rate over a longer or shorter term of loan. Such charges shall be
40 computed at the time the loan is made on the full amount of the cash
41 advance for the full term of the loan contract, notwithstanding any
42 agreement to repay the loan in installments. Such charges shall be
43 added to the cash advance and the resulting sum may become the face
44 amount of the note. All payments made on account of any loan, except
45 those applied to default and deferment charges, shall be deemed to be
46 applied to the unpaid installments in the order in which they are due.

47 (b) For the purpose of computations, whether at the maximum rate
48 or less, a month shall be that period of time from any date in one

49 month to the corresponding date in the next month, but if there is no
50 such corresponding date, then to the last day of the next month, and a
51 day shall be considered one-thirtieth of a month when such
52 computation is made for a fraction of a month. For loans originally
53 scheduled to be repaid over a period of forty-eight months and fifteen
54 days or less, the portion of the charges applicable to any particular
55 monthly installment period, as originally scheduled or following a
56 deferment, shall bear the same ratio to the total charges, excluding any
57 adjustment made under subsection (c) of this section, as the balance
58 scheduled to be outstanding during that monthly period bears to the
59 sum of all the monthly balances scheduled originally by the contract of
60 loan. For loans originally scheduled to be repaid over a period in
61 excess of forty-eight months and fifteen days, the portion of the
62 charges applicable to any particular monthly installment period, as
63 originally scheduled or following a deferment, shall be the charges
64 which would be incurred for that monthly installment period if the
65 annual percentage rate disclosed to the borrower pursuant to sections
66 36a-675 to 36a-685, inclusive, as amended, were charged, by the
67 actuarial method, on the disclosed amount financed and all payments
68 were made according to schedule.

69 (c) Notwithstanding the requirement in subsection (a), a borrower
70 and licensee may agree that the first installment due date may be not
71 more than fifteen days more than one month, and the charge for each
72 day in excess of one month shall be one-thirtieth of the portion of the
73 charges applicable to a first installment period of one month. The
74 charges for the extra days shall be added to the first installment, but
75 shall be excluded in computing deferment charges and refunds. When
76 a loan contract provides for extra days in a first installment period, for
77 the purposes of sections 36a-555 to 36a-573, inclusive, such extra days
78 shall be treated as the first days in the first installment period and the
79 due dates of the remaining installments shall be calculated from the
80 due date of such first installment.

81 (d) If any installment remains unpaid for ten or more consecutive

82 days, including Sundays and holidays, after it is due, the licensee may
83 charge and collect a default charge not exceeding the lesser of seven
84 dollars and fifty cents or five cents per dollar, or fraction thereof, of
85 such scheduled installment, except a minimum default charge of three
86 dollars may be charged and collected. Default charges may be
87 collected when due or at any time thereafter, but may not be
88 accumulated until the last payment date.

89 (e) If, as of an installment due date, the payment date of all wholly
90 unpaid installments is deferred one or more full months and the
91 maturity of the contract is extended for a corresponding period, the
92 licensee may charge and collect a deferment charge not exceeding the
93 charge applicable to the first of the installments deferred, multiplied
94 by the number of months in the deferment period. The deferment
95 period is that period during which no payment is made or required by
96 reason of such deferment, except that no deferment made pursuant to
97 this subsection shall extend the maturity of any contract made under
98 sections 36a-555 to 36a-573, inclusive, for more than (1) three months,
99 for loans originally repayable in twenty-four months or less, (2) five
100 months, for loans originally repayable in more than twenty-four
101 months but not more than forty-eight months, and (3) eight months,
102 for loans originally repayable in more than forty-eight months. The
103 deferment charge may be collected at the time of deferment or at any
104 time thereafter. The portion of the charges contracted for under
105 subsection (a) applicable to each deferred balance and installment
106 period following the deferment period shall remain the same as that
107 applicable to such balance and period under the original contract of
108 loan. No installment on which a default charge has been collected, or
109 on account of which any partial payment has been made, shall be
110 deferred or included in the computation of the deferment charge
111 unless such default charge or partial payment is refunded to the
112 borrower or credited to the deferment charge. Any payment received
113 at the time of deferment may be applied first to the deferment charge
114 and the remainder, if any, applied to the unpaid balance of the
115 contract, but if such payment is sufficient to pay, in addition to the

116 appropriate deferment charge, any installment which is in default and
117 the applicable default charge, it shall be first so applied and any such
118 installment shall not be deferred or subject to the deferment charge. If
119 a loan is prepaid in full during the deferment period, the borrower
120 shall receive, in addition to the refund required under subsection (f) of
121 this section, a refund of that portion of the deferment charge applicable
122 to any unexpired full month or months of such deferment period.

123 (f) If the contract of loan is prepaid in full by cash, a new loan or
124 otherwise, before the final installment date, the portion of the charges
125 applicable to the full installment periods, as scheduled originally in the
126 loan contract or as rescheduled by reason of any deferment made
127 pursuant to sections 36a-555 to 36a-573, inclusive, following the date of
128 prepayment shall be refunded or credited to the borrower. Where
129 prepayment occurs on other than a monthly installment due date, it
130 shall be deemed to have occurred on the preceding or succeeding
131 installment due date nearest to the date of prepayment. Where
132 prepayment occurs on a date midpoint between the preceding and
133 succeeding monthly installment due dates, it shall be deemed to have
134 occurred on the preceding monthly due date. In all cases where
135 prepayment occurs before the first monthly installment due date, it
136 shall be deemed to have occurred on the first monthly installment due
137 date. If judgment is obtained before the final installment date, the
138 judgment shall reflect the refund which would be required for
139 prepayment in full as of the date judgment is obtained. No refund of
140 less than one dollar or for partial prepayments need be made.

141 (g) If part or all of the consideration for a loan contract is the unpaid
142 balance, excluding default charges, of a prior loan with the same
143 licensee, the cash advance under such new loan contract may include
144 the balance of the prior contract which remains after giving the
145 required refund.

146 (h) In addition to the charges provided for by sections 36a-555 to
147 36a-573, inclusive, and service charges that are imposed for a check

148 that is dishonored as provided in subsection (i) of section 52-565a, no
149 further or other charge or amount for any examination, service,
150 brokerage, commission or other thing, or otherwise, shall be directly or
151 indirectly charged, contracted for or received. If interest or any other
152 charges in excess of those permitted by said sections are charged,
153 contracted for or received, except as the result of a bona fide error, the
154 contract of loan shall be void and the licensee shall have no right to
155 collect or receive any principal, interest or charges. No person shall
156 owe any licensee, as such, at any time more than [fifteen] one hundred
157 thousand dollars for principal as a borrower, comaker or guarantor for
158 loans made under said sections. No licensee shall induce or permit any
159 borrower or borrowers to split or divide any loan or loans made under
160 said sections, or permit any borrower to become obligated, directly or
161 indirectly, under more than one contract of loan under said sections at
162 the same time primarily for the purpose of obtaining a higher rate of
163 charge than would otherwise be permitted by said sections. No
164 contract made under said sections, except as deferred in accordance
165 with subsection (e) of this section, shall provide for a greater rate of
166 interest than twelve per cent per annum on the balance remaining
167 unpaid twenty-four months and fifteen days after the date of making
168 such contract if the original cash advance was one thousand dollars or
169 less or thirty-six months and fifteen days if the original cash advance
170 was in excess of one thousand dollars but not in excess of one
171 thousand eight hundred dollars. No contract made under said sections
172 with an original cash advance in excess of one thousand eight hundred
173 dollars, except as deferred in accordance with subsection (e) of this
174 section, shall provide for a greater rate of interest than twelve per cent
175 per annum on the balance remaining unpaid on the scheduled
176 maturity date of said contract. No part of the principal balance
177 remaining unpaid by a borrower twenty-four months and fifteen days
178 after making such contract where the original cash advance was one
179 thousand dollars or less or thirty-six months and fifteen days where
180 the original cash advance was in excess of one thousand dollars but
181 not in excess of one thousand eight hundred dollars, shall directly or

182 indirectly be renewed or refinanced by the lender who made such
 183 loan. If the maturity date of a loan made under said sections has been
 184 extended by deferred payments, the maximum renewal period that
 185 such loan may be extended shall be the number of months such loan is
 186 deferred. When a contract is renewed or refinanced prior to twenty-
 187 four months and fifteen days where the original cash advance was one
 188 thousand dollars or less or thirty-six months and fifteen days where
 189 the original cash advance exceeded one thousand dollars but did not
 190 exceed one thousand eight hundred dollars, from the date of making
 191 such contract, such renewal or refinancing shall, for the purposes of
 192 this section, be deemed a separate loan transaction.

193 (i) Notwithstanding the provisions of subsection (a) of this section,
 194 on any loan secured by real property a licensee may include in the
 195 amount of the loan the following closing costs, provided such costs are
 196 bona fide, reasonable in amount and not assessed for the purpose of
 197 circumventing or otherwise limiting any applicable provision of
 198 sections 36a-555 to 36a-573, inclusive: (1) Fees or premiums for title
 199 examination, abstract of title, title insurance, surveys, or similar
 200 purposes; (2) appraisals, if made by a person who is not an employee
 201 or affiliated with the licensee, and (3) fees and taxes paid to public
 202 officials for the recording and release of any document related to the
 203 real estate security. A licensee may collect costs incurred in the event
 204 of foreclosure which shall not include any attorney's fee.

205 (j) No agreement with respect to a loan under sections 36a-555 to
 206 36a-573, inclusive, may provide for charges resulting from default by
 207 the borrower, other than those authorized by said sections.

208 Sec. 3. Subsections (a) to (c), inclusive, of section 36a-565 of the
 209 general statutes are repealed and the following is substituted in lieu
 210 thereof (*Effective October 1, 2006*):

211 (a) "Open-end loan" means a loan made by a licensee under sections
 212 36a-555 to 36a-573, inclusive, pursuant to an agreement between the
 213 licensee and the borrower whereby: (1) The licensee may permit the

214 borrower to obtain advances of money from the licensee from time to
215 time or the licensee may advance money on behalf of the borrower
216 from time to time as directed by the borrower, not exceeding at any
217 one time an unpaid principal balance of [fifteen] one hundred
218 thousand dollars; (2) the amount of each advance and permitted
219 interest, charges and costs are debited to the borrower's account and
220 payments and other credits are credited to the same account; (3) the
221 interest is computed on the unpaid principal balance or balances of the
222 account from time to time; (4) the borrower has the privilege of paying
223 the account in full at any time or, if the account is not in default, in
224 monthly installments of fixed or determinable amounts as provided in
225 the agreement; and (5) the agreement expressly states that it covers
226 open-end loans pursuant to said sections.

227 (b) "Billing cycle" means the time interval between periodic billing
228 dates. A billing cycle shall be considered monthly if the closing date of
229 the cycle is the same date each month or does not vary by more than
230 four days from such date.

231 (c) A licensee may make open-end loans and may charge, contract
232 for and receive thereon interest at an annual percentage rate not to
233 exceed nineteen and eight-tenths per cent for any open-end loan
234 agreement entered into on and after July 1, 1991. A licensee may also
235 receive, pursuant to any such agreement entered into on and after July
236 1, 1991, one or more of the following charges if the agreement so
237 provides: (1) An annual fee not to exceed fifty dollars for the privileges
238 made available to the borrower under the open-end loan agreement;
239 (2) a default charge subject to the conditions and restrictions set forth
240 in subsection (d) of section 36a-563; (3) service charges that are
241 imposed for a check that is dishonored as provided in subsection (i) of
242 section 52-565a; and (4) reasonable attorneys' fees subject to the
243 conditions and restrictions set forth in section 42-150aa. In addition to
244 the charges provided for by this section, no further or other charge or
245 amount for any examination, service, brokerage, commission or other
246 thing, or otherwise, shall be directly or indirectly charged, contracted

247 for or received. If interest or any charges in excess of those permitted
248 by this section are charged, contracted for or received, except as the
249 result of a bona fide error, the contract of loan shall be void and the
250 licensee shall have no right to collect or receive any principal, interest
251 or charges. No person shall owe any licensee, as such, at any time
252 more than [fifteen] one hundred thousand dollars for principal as a
253 borrower, comaker or guarantor for loans made under this section. As
254 used in this section, the term "bona fide error" includes, but shall not
255 be limited to, clerical, calculation, computer malfunction and
256 programming and printing errors, but does not include an error of
257 legal judgment with respect to a person's obligations under sections
258 36a-555 to 36a-573, inclusive.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006</i>	36a-555
Sec. 2	<i>October 1, 2006</i>	36a-563
Sec. 3	<i>October 1, 2006</i>	36a-565(a) to (c)

Statement of Purpose:

To increase the maximum amount that small loan lenders may loan from fifteen thousand dollars to one hundred thousand dollars.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]